

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 1694 - HB 1521

March 11, 2014

SUMMARY OF BILL: Directs that the Beech River Watershed Development Authority, Chickasaw Basin Authority, Sequatchie Valley Planning and Development Agency, Tennessee Duck River Development Agency, Tellico Reservoir, Carroll County Watershed Authority, West Fork Drakes Creek Dam and Reservoir Interstate Authority, and Bledsoe Regional Water Authority should be classified as state agencies for purposes of Tenn. Code Ann. Title 9, Chapter 8, parts 3 and 4, which authorizes the authorities to participate in the Department of Treasury's property/casualty risk program, requires them to pay the state any contribution required by the risk management fund, and classifies their employees as state employees for purposes of Tenn. Code Ann. §8-42-103, §9-8-112, and §9-8-307, however such employees are not eligible for worker's compensation coverage.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures –

\$67,500/Risk Management Fund/FY14-15 to FY16-17

\$93,500/Risk Management Fund/Recurring

Other Fiscal Impact – Due to a number of unknown factors, the increase in revenue to the Risk Management Fund resulting from contributions paid by the authorities is indeterminable.

Assumptions:

- According to the Office of the Attorney General, any costs associated with the provisions of the bill can be accommodated within existing resources and with existing staff.
- According to the Department of Environment and Conservation, the provisions of the bill will not fiscally impact the department.
- According to the Department of Treasury, the bill would add additional entities for which premiums must be determined and assessed for risk management coverage.
- According to the Department of Treasury, calculations will have to be conducted for each entity to determine the amount of premiums that will be paid by the entities. These calculations include, but are not limited to, the number of employees each had and their roles and salaries, the number of claims each entity has experienced previously, and the specific types of buildings, structures, and their contents on each entity's property. Due

to these unknown factors, the increase in revenue to the Risk Management Fund is indeterminable.

- The Department of Treasury will require the use of a contractor to underwrite the entities included in the provisions of the bill, as well as an additional Loss Control position within the Division of Claims Administration.
- According to the Department of Treasury a contractor would need to be hired for three years to build a history for an actuary to use in the future. It is estimated such contractor would result in an increase in state expenditures of \$67,500 each year for three years beginning in FY14-15.
- The hiring of a Loss Control position would result in a recurring increase in state expenditures of \$93,500 (salary and benefits).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read 'Lucian D. Geise', is positioned above the printed name.

Lucian D. Geise, Executive Director

/jrh